

**MINUTES OF THE COMMITTEE  
ON  
INSURANCE**

Thursday, November 30, 2006

9:00 a.m.

Room 521 House Office Building

The House Standing Committee on Insurance was called to order by the Chair.

Members present: Reps. Hune, Robertson, Emmons, Gaffney, Sheen, Hildenbrand, David Law, Marleau, Adamini, Leland, Anderson, Condino, Farrah.

Members absent: Reps. Ball, Mortimer, Hunter, Wojno.

Members excused: Reps. Ball, Mortimer, Hunter, Wojno.

Representative Farrah moved to approve the minutes of the June 28, 2006 meeting.

Representative Robertson supported the motion. There being no objection, the motion prevailed by unanimous consent.

The Chair laid HB 6313 before the committee.

**HB 6313 Hune**

Insurance; other; Michigan life and health insurance guaranty association; provide for general amendments.

Frank Venuto of the American Council of Life Insurers and the Michigan Life and Health Insurance Guaranty Association and John Colpean of the Michigan Life and Health Insurance Guaranty Association testified in support of the bills.

Brian Sydnor of the Office of Financial and Insurance Services submitted a card in support of the bill, but did not wish to testify.

The Chair laid SB 1269 before the committee.

**SB 1269 Van Woerkom**

Insurance; life; group life insurance general amendments; provide for.

Frank Venuto of the American Council of Life Insurers testified in support of the bill.

Brian Sydnor of the Office of Financial and Insurance Services submitted a card in support of the bill, but did not wish to testify. Mr. Sydnor also submitted written testimony.

Representative Robertson moved to report SB 1269 with recommendation. Representative Adamini supported the motion. **The motion prevailed 13-0-0.**

**FAVORABLE ROLL CALL**

**Yeas: Reps. Hune, Robertson, Emmons, Gaffney, Sheen, Hildenbrand, David Law, Marleau, Adamini, Leland, Anderson, Condino, Farrah.**

Nays: None.

Pass: None.

The Chair returned to the consideration of HB 6313.

Representative Marleau offered the following amendments to HB 6313:

1. Amend page 1, following "THE PEOPLE OF THE STATE OF MICHIGAN ENACT:" by inserting:

**"SEC. 838A. (1) AS USED IN THIS SECTION:**

**(A) "2001 CSO MORTALITY TABLE" MEANS THAT TERM AS DEFINED IN SECTION 838.**

**(B) "2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE" MEANS MORTALITY TABLES WITH SEPARATE RATES OF MORTALITY FOR SUPER PREFERRED NONSMOKERS, PREFERRED NONSMOKERS, RESIDUAL STANDARD NONSMOKERS, PREFERRED SMOKERS, AND RESIDUAL STANDARD SMOKER SPLITS OF THE 2001 CSO NONSMOKER AND SMOKER TABLES AS ADOPTED BY THE NAIC AT THE SEPTEMBER 2006 NATIONAL MEETING AND PUBLISHED IN THE "NAIC PROCEEDINGS" (3RD QUARTER 2006). UNLESS THE CONTEXT INDICATES OTHERWISE, THE "2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE" INCLUDES BOTH THE ULTIMATE FORM OF THAT TABLE AND THE SELECT AND ULTIMATE FORM OF THAT TABLE. IT INCLUDES BOTH THE SMOKER AND NONSMOKER MORTALITY TABLES. IT INCLUDES BOTH THE MALE AND FEMALE MORTALITY TABLES AND THE GENDER COMPOSITE MORTALITY TABLES. IT ALSO INCLUDES BOTH THE AGE-NEAREST-BIRTHDAY AND AGE-LAST-BIRTHDAY BASES OF THE MORTALITY TABLE.**

**(C) "NAIC" MEANS THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.**

**(D) "SMOKER AND NONSMOKER MORTALITY TABLES" MEANS THAT TERM AS DEFINED IN SECTION 838.**

**(E) "STATISTICAL AGENT" MEANS AN ENTITY WITH PROVEN SYSTEMS FOR PROTECTING THE CONFIDENTIALITY OF INDIVIDUAL INSURED AND INSURER INFORMATION; DEMONSTRATED RESOURCES FOR AND HISTORY OF ONGOING ELECTRONIC COMMUNICATIONS AND DATA TRANSFER ENSURING DATA INTEGRITY WITH INSURERS, WHICH ARE ITS MEMBERS OR SUBSCRIBERS; AND A HISTORY OF AND MEANS FOR AGGREGATION OF DATA AND ACCURATE PROMULGATION OF THE EXPERIENCE MODIFICATIONS IN A TIMELY MANNER.**

**(2) AN INSURER MAY, FOR EACH CALENDAR YEAR OF ISSUE FOR ANY 1 OR MORE SPECIFIED PLANS OF INSURANCE AND SUBJECT TO THIS SECTION, SUBSTITUTE THE 2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE IN PLACE OF THE 2001 CSO SMOKER AND NONSMOKER MORTALITY TABLES AS THE MINIMUM VALUATION STANDARD FOR POLICIES ISSUED ON OR AFTER JANUARY 1, 2007. AN INSURER SHALL NOT ELECT THE 2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE UNTIL THE INSURER DEMONSTRATES THAT AT LEAST 20% OF THE BUSINESS TO BE VALUED ON THIS TABLE IS IN 1 OR MORE OF THE PREFERRED CLASSES. A TABLE FROM THE 2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE USED IN PLACE OF A 2001 CSO MORTALITY TABLE AS PROVIDED IN THIS SECTION SHALL BE TREATED AS PART OF THE 2001 CSO MORTALITY TABLE ONLY FOR PURPOSES OF RESERVE VALUATION PURSUANT TO SECTION 838.**

**(3) FOR EACH PLAN OF INSURANCE WITH SEPARATE RATES FOR PREFERRED AND STANDARD NONSMOKER LIVES, AN INSURER MAY USE THE SUPER PREFERRED NONSMOKER, PREFERRED NONSMOKER, AND RESIDUAL STANDARD NONSMOKER TABLES TO SUBSTITUTE FOR THE NONSMOKER**

**MORTALITY TABLE FOUND IN THE 2001 CSO MORTALITY TABLE TO DETERMINE MINIMUM RESERVES. AT THE TIME OF ELECTION AND ANNUALLY THEREAFTER, EXCEPT FOR BUSINESS VALUED UNDER THE RESIDUAL STANDARD NONSMOKER TABLE, THE APPOINTED ACTUARY SHALL CERTIFY BOTH OF THE FOLLOWING:**

**(A) THAT THE PRESENT VALUE OF DEATH BENEFITS OVER THE NEXT 10 YEARS AFTER THE VALUATION DATE, USING THE ANTICIPATED MORTALITY EXPERIENCE WITHOUT RECOGNITION OF MORTALITY IMPROVEMENT BEYOND THE VALUATION DATE FOR EACH CLASS, IS LESS THAN THE PRESENT VALUE OF DEATH BENEFITS USING THE VALUATION BASIC TABLE CORRESPONDING TO THE VALUATION TABLE BEING USED FOR THAT CLASS.**

**(B) THAT THE PRESENT VALUE OF DEATH BENEFITS OVER THE FUTURE LIFE OF THE CONTRACTS, USING ANTICIPATED MORTALITY EXPERIENCE WITHOUT RECOGNITION OF MORTALITY IMPROVEMENT BEYOND THE VALUATION DATE FOR EACH CLASS, IS LESS THAN THE PRESENT VALUE OF DEATH BENEFITS USING THE VALUATION BASIC TABLE CORRESPONDING TO THE VALUATION TABLE BEING USED FOR THAT CLASS.**

**(4) FOR EACH PLAN OF INSURANCE WITH SEPARATE RATES FOR PREFERRED AND STANDARD SMOKER LIVES, AN INSURER MAY USE THE PREFERRED SMOKER AND RESIDUAL STANDARD SMOKER TABLES TO SUBSTITUTE FOR THE SMOKER MORTALITY TABLE FOUND IN THE 2001 CSO MORTALITY TABLE TO DETERMINE MINIMUM RESERVES. AT THE TIME OF ELECTION AND ANNUALLY THEREAFTER, FOR BUSINESS VALUED UNDER THE PREFERRED SMOKER TABLE, THE APPOINTED ACTUARY SHALL CERTIFY BOTH OF THE FOLLOWING:**

**(A) THAT THE PRESENT VALUE OF DEATH BENEFITS OVER THE NEXT 10 YEARS AFTER THE VALUATION DATE, USING THE ANTICIPATED MORTALITY EXPERIENCE WITHOUT RECOGNITION OF MORTALITY IMPROVEMENT BEYOND THE VALUATION DATE FOR EACH CLASS, IS LESS THAN THE PRESENT VALUE OF DEATH BENEFITS USING THE PREFERRED SMOKER VALUATION BASIC TABLE CORRESPONDING TO THE VALUATION TABLE BEING USED FOR THAT CLASS.**

**(B) THAT THE PRESENT VALUE OF DEATH BENEFITS OVER THE FUTURE LIFE OF THE CONTRACTS, USING ANTICIPATED MORTALITY EXPERIENCE WITHOUT RECOGNITION OF MORTALITY IMPROVEMENT BEYOND THE VALUATION DATE FOR EACH CLASS, IS LESS THAN THE PRESENT VALUE OF DEATH BENEFITS USING THE PREFERRED SMOKER VALUATION BASIC TABLE.**

**(5) UNLESS EXEMPTED BY THE COMMISSIONER, EVERY AUTHORIZED INSURER USING THE 2001 CSO PREFERRED CLASS STRUCTURE MORTALITY TABLE SHALL FILE ANNUALLY WITH THE COMMISSIONER, WITH THE NAIC, OR WITH A STATISTICAL AGENT DESIGNATED BY THE NAIC AND ACCEPTABLE TO THE COMMISSIONER STATISTICAL REPORTS SHOWING MORTALITY AND SUCH OTHER INFORMATION AS THE COMMISSIONER MAY CONSIDER NECESSARY OR EXPEDIENT FOR THE ADMINISTRATION OF THIS SECTION. THE FORM OF THE REPORTS SHALL BE ESTABLISHED BY THE COMMISSIONER."**

2. Amend page 50, line 5, by striking out all of enacting section 1 and inserting:

"Enacting section 1. (1) Sections 7702, 7704, 7705, 7706, 7707, 7708, 7709, 7711, 7712, 7714, and 7717 of the insurance code of 1956, 1956 PA 218, MCL 500.7702, 500.7704, 500.7705, 500.7706, 500.7707, 500.7708, 500.7709, 500.7711, 500.7712, 500.7714, and 500.7717, as amended by this amendatory act, apply to an insurer impairment or insurer insolvency proceeding commenced on or after the effective date of this amendatory act for which guaranty association coverage obligations are incurred.

(2) Section 838a of the insurance code of 1956, 1956 PA 218, MCL 500.838a, as added by this amendatory act, applies on and after January 1, 2007."

Representative Marleau moved to adopt the amendments. Representative Robertson supported the motion. **The motion prevailed 13-0-0.**

**FAVORABLE ROLL CALL**

**Yeas: Reps. Hune, Robertson, Emmons, Gaffney, Sheen, Hildenbrand, David Law, Marleau, Adamini, Leland, Anderson, Condino, Farrah.**

**Nays: None.**

**Pass: None.**

Representative Robertson moved to report HB 6313 with recommendation as amended, as substitute (H-1). Representative Emmons supported the motion. **The motion prevailed 13-0-0.**

**FAVORABLE ROLL CALL**

**Yeas: Reps. Hune, Robertson, Emmons, Gaffney, Sheen, Hildenbrand, David Law, Marleau, Adamini, Leland, Anderson, Condino, Farrah.**

**Nays: None.**

**Pass: None.**

Representative Condino moved to excuse the absence of Representatives Ball, Mortimer, Hunter, and Wojno. Representative Hildenbrand supported the motion. There being no objection, the motion prevailed by unanimous consent.

There being no further business before the committee, the Chair adjourned the meeting at 9:23 a.m.

**Representative Joe Hune, Chair** \_\_\_\_\_

Dan Stump, Committee Clerk  
House Insurance Committee, (517) 373-5795